

BUSINESS HELP

Planning a business

Starting up a business is a daunting prospect, but your PC can help you prepare a plan that will give you a head-start

Q I have nearly finished a course at art college and want to start a business printing my own designs on T-shirts. I need to buy some printing gear, inks and blank T-shirts. I'll also need a computer and scanner to work on my designs. I've got a notebook and a colour inkjet printer, but these aren't suitable for producing lots of T-shirts.

I don't have much money and, although my friends like my designs, I'm not at all famous. It's a bit scary because I'll need to borrow money to set things up. I know there is a demand for my work, because I gave some samples to the guys who work in a local shop that sells to people who like skateboard-style clothes. Lots of the customers have asked where they got the T-shirts, apparently.

So my question is: how do I even start this project? I will need money, equipment and someone to sell my stuff.

Martin Wilkinson



INTRODUCTION

Starting a new business is a hair-raising prospect, even for experienced business people. But millions of people have done it and, if you have a good idea and the willingness to work, there's no reason why you can't make it work.

A business plan is central to a successful startup. It might not seem as exciting as buying new computers or office furniture, but if you get a good plan in place, it will help you in the long run. A business plan is also essential if you want to borrow money.

This month we'll look at how your computer and the internet can give you an edge when putting together a plan. The document you produce will give your business direction and could attract money from bank managers, business angels and, if you really hit the big time, venture capitalists.

Even if you aren't seeking finance, a good plan will allow you to prepare for unexpected successes and disasters, and will be flexible enough to help you adjust your business as it develops.

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A If you are starting a business from scratch, you have a lot of work ahead of you. You need to decide what type of company you will run; see 'Mind your own business' opposite. Then you need to draw up a business plan, get a bank account and secure funding, buy equipment and supplies, begin production and start marketing your wares.

A business plan is central to your entire operation. This document will cover all the things you need to do to succeed, with contingency plans for when things don't work out as you'd hoped. Crucially, a business plan gives you something to show people whose help you'll need.

You could sit down and draw up a business plan on a napkin if you wanted to, but that won't impress your bank manager. You might also forget to cover important questions such as:

- Who are your customers?
- Who is the major competition, and how much do they charge?
- How much will the products cost to make?
- How much are people prepared to pay for them?
- How much stock can I hold, and how much will the outlets buy at once?

If you answer all these questions, others will pose themselves. For example, can you find a supplier that

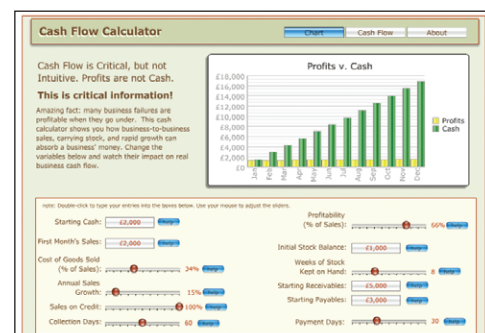
will provide small amounts of raw materials just in time at bulk prices? And will you have a returns policy if your customers, who may be shops rather than the public, don't sell the goods?

This process is educational in itself, but it can take a long time and you will probably miss a lot of important factors. An alternative is to get some help. Your bank can provide a basic business plan form, which sometimes comes on a floppy disk and may walk you through some fundamental questions. These are usually too basic, though. If you want to get a serious plan together, you can get help from your PC, using software such as Business Plan Pro 2006 UK Edition.

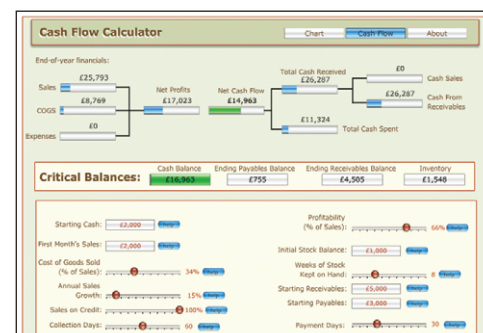
Business Plan Pro contains a wizard that will walk you through creating your business plan. It also contains over 500 business plans that may give you some insight into your own business. Although the UK Edition has been customised to help you create a UK business, the samples all appear to be American companies. The standard version costs £100 from www.paloalto.co.uk.

GO WITH THE CASHFLOW

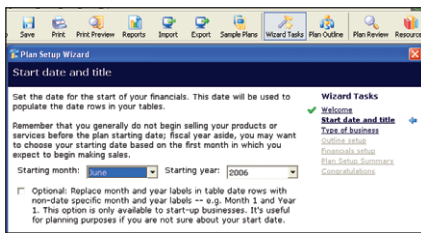
You are starting a business because you want to make money, but to do so you'll also need to spend. Your business plan should include a cash-tracking graph to help you understand how your cashflow situation will develop. Play with the figures and you may be surprised



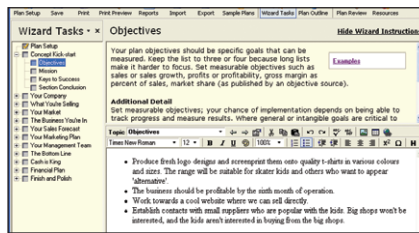
▲ Get a rough-and-ready idea of cashflow by dragging sliders and typing amounts into the online calculator at www.bplans.co.uk



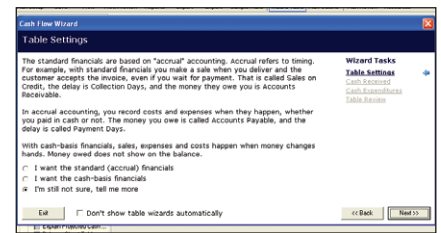
▲ Play with settings such as how many months' worth of stock you will keep so that you can see how it affects your cashflow



▲ Business Plan Pro walks you through building a plan, starting from the beginning. Questions get more complex as you move through the program



▲ Clarify ideas and commit them to the plan using the built-in word processor. Use examples and tips to help enter the correct sort of information



▲ If you come across a technical question that you don't understand the software will attempt to help you, providing different levels of information

to find that being very successful one month can bring your business to its knees a few weeks later.

If you are going to sell to other businesses, such as retail outlets, you won't be paid straight away. You may have to pay for some raw materials immediately, though, and computer equipment bought from shops or mail order websites will also require an initial cash outlay. If you buy printing services from a third party you should have 30 days to pay, which may also be the case with your T-shirt supplier.

Imagine you sell lots of units one month – many more than usual. In the long run this is great, but you won't see the cash for at least a month, if not two. However, you will still have to pay to make and distribute the goods. If you or your bank aren't prepared for a sudden temporary debt, you will be in trouble.

A business plan will help you prepare for such situations. Create a spreadsheet in Excel that charts your expenses and deposits, ensuring that you allow 60 days for deposits on accounts receivable (money owed to you by your customers). Assume you will have 30 days to pay your own bills. Use the data to generate a graph.

Imagine different scenarios. One plan might involve courting a large supplier for a few months, ending in a large sale. How will this affect your cashflow? The chart might indicate that your best bet is to make small sales

continually for a certain amount of time before launching yourself into the big time. Your initial expenses may affect your whole first year, keeping you in the red. If the price of your printing equipment is going to hold your business down, consider leasing some, or even out-sourcing to another company.

EVOLUTION NOT REVOLUTION

A good plan evolves with time. Return to your chart now and again and see how your business is developing. Try a few more ideas and watch the bottom line. You can avoid serious mistakes this way, and maybe come up with a strong long-term plan, just by messing around in Excel.

It's also a good idea to create a break-even chart, which illustrates how many products you need to sell just to stay out of debt. This will help you work out how viable the business really is, and how much you should charge per T-shirt. You should also start thinking about bulk deals. The chart could indicate that buying in bulk will benefit you in the long run, even if the account seems scarily empty for a few months. Or maybe it's way too early to buy large amounts of stock.

If you want a ready-reckoner, without having to get stuck into a spreadsheet try out the calculators at www.bplans.co.uk. The collection includes Cash Flow, Starting Costs and Break Even calculators.

Some companies will even write a business plan for you. Smart Business Plan (www.smart-businessplan.co.uk) walks you through creating your own for £97 and charges £297 to do the writing. We'd prefer to keep initial costs down, and we are suspicious of free leaflets that claim to offer "Five simple steps to becoming a millionaire in three years". Instead, follow advice from sites such as www.bizhelp24.com when putting together your plan. Microsoft's small business site (www.microsoft.com/smallbusiness) is also packed with advice about starting up, offering useful articles that aren't designed to

push Microsoft software. Its article on the seven biggest mistakes of business startups is essential reading.

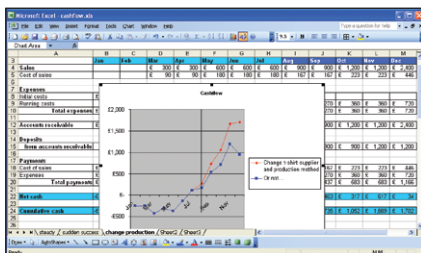
STARTING ON A SHOESTRING

When you start out, you might not be able to afford all the equipment you need. Making the most of what you have and using third-party services can get things moving and enable you to make a name for yourself without incurring a massive debt.

There are lots of websites that offer custom printing services, including www.revolutionshirts.co.uk, which has information on the pros and cons of different printing options. For example, screen-printing may look great, but it's expensive when you want to make small orders with more than one colour. Transfers, on the other hand, can be cheaper on small orders unless the design is a large one. Use Excel to try different options and find a profitable combination.

You can do it yourself armed with just a basic PC and an inkjet printer. Inkjet iron-on transfer paper costs around £1 per A4 sheet. To convert your original artwork to a computer image, you'll need a vector graphics program such as Adobe Illustrator CS, which is part of Creative Suite 2, or CorelDRAW X3. You'll also need a scanner to copy your sketch to the computer.

Your notebook might be suitably powerful, so don't buy a new computer unless you're sure the illustration software won't run. You need a larger screen, though, and maybe a graphics tablet. Check out next month's *Computer Shopper* for our Labs test of a range of graphics tablets. **CS**



▲ Use a spreadsheet to test different ideas and see how they affect the bottom line

Next month

GETTING A DOMAIN NAME

Your business will look bigger with a proper web address. We weigh the costs against the cachet of owning a .com

Mind your own business The different types of business available

The term 'business' usually describes an arrangement where one or more people make money by providing goods or services. It is a general term, and there are three main types of business you can run.

The simplest kind of business is a sole trader. If you're a sole trader, you own the business, you're self-employed and you make the decisions. You are also personally liable for any business debts. Being a sole trader involves less annoying paperwork than running a limited company, but if your company owes a lot of money in tax or other debts, your house, car and other assets could be claimed by creditors.

A partnership is one step on from a sole trader. Joint owners of the business share responsibility for debts (and claim equal shares of any profits). If one partner signs something in the name of the business, the other is equally liable. A limited partnership includes partners who invest capital in the business but have no part in running it. They are liable only to the value of their investment.

In the above cases, the people are the business. But a limited company is recognised as a separate legal entity to the shareholders, directors and employees. As such, the company's owners are not personally liable for the company's debts. That said, if you are after

a bank loan to start up your business, the bank will expect you to put up your house or some other asset as collateral. The paperwork involved in running a limited company should not be underestimated, and doing it involves a lot of effort.

For more information about the different types of business and how to start one, visit Abbey's Business Advice and Tips page at www.anbusiness.com/business_advice. If you want to start a limited company, you can do so online at sites such as www.jordans.co.uk, which checks the company name is available and sends you the completed paperwork. Expect to pay between £140 and £195.